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TO RUEHC/SECSTATE WASHDC IMMEDIATE 8170  
RUEHRO/AMEMBASSY ROME IMMEDIATE 1708  
INFO RUEHNR/AMEMBASSY NAIROBI PRIORITY 4561  
RUEHKM/AMEMBASSY KAMPALA PRIORITY 0988  
RUEHDS/AMEMBASSY ADDIS ABABA PRIORITY 5877  
RUEHDJ/AMEMBASSY DJIBOUTI PRIORITY 2782  
RUEHKH/AMEMBASSY KHARTOUM PRIORITY 0076  
RUEHSA/AMEMBASSY PRETORIA PRIORITY 1358  
RHEHNRC/NSC WASHDC PRIORITY  
RUEHFR/AMEMBASSY PARIS 1303  
RUEHLO/AMEMBASSY LONDON 1130  
RUEHBS/USEU BRUSSELS  
RUEKJCS/SECDEF WASHDC  
RUEAAIA/CIA WASHDC  
RUEKDIA/DIA WASHDC  
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AIDAC

AID FOR AA/DCHA, AA/AFR and AFR/EA  
AID FOR DCHA/FFP JDWORKEN, TANDERSON, PBERTOLIN  
AID FOR GC  
STATE FOR AF/E AND AF/EPS  
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STATE FOR PRM/AF  
STATE FOR IO  
ROME FOR FODAG RNEWBERG  
NAIROBI FOR REDSO/FFP NESTES  
KAMPALA FOR DSUTHER  
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KHARTOUM FOR SHA, CFARNSWORTH  
PRETORIA FOR JWESSEL  
LONDON FOR AFRICA WATCHERS  
PARIS FOR AFRICA WATCHERS  
NSC FOR MELINE

E.O. 12958: N/A

TAGS: EAID ECON PHUM PREF EGAD ER ET DJ

SUBJECT: GSE REMAINS UNYIELDING IN MEETINGS WITH WFP ON  
FOOD AID ISSUES

REFS: (A) Asmara 0383; (B) Asmara 0385; (C) State 81462

¶1. This is an action request. See para 18.

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SUMMARY  
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¶2. A high-level delegation from WFP/Rome visited Asmara and met with Ministers of the Government of the State of Eritrea (GSE) and donors. The visit was prompted by the issues previously described in Refs A and B. Meetings did not yield any progress with the GSE insisting that any future food aid be provided in conjunction with its still nebulous cash for work scheme. Nor was the GSE prepared to release in-country stocks of WFP food back to WFP for redistribution in other parts of the region facing food emergencies. WFP is considering its next steps which will likely include a dramatic downsizing of its in-country presence and possibly litigation over in-country stocks that are not used in accordance with previous agreements.

¶3. The impasse with WFP also has implications for USAID

Title II commodities that have been provided to Catholic Relief Services and Mercy Corps, which have also been impounded by the GSE. Post requests in para 18 further guidance from USAID's FFP and GC offices on next steps.

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WFP SENDS IN BIG GUNS  
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¶ 14. In an effort to achieve progress or closure on the food aid impasse described in Refs A and B, WFP/Rome sent a delegation led by its Senior Deputy Executive Director, Jean-Jacques Graisse, to Asmara from May 27-29. Graisse met in a joint session with the GSE's Minister of National Development and Minister of Labor and Social Welfare. He also met with the Ambassador and other key donor representatives prior to and subsequent to the GSE meeting.

¶ 15. In the pre-briefing at the Ambassador's residence, the Ambassador presented the USG's views on the food aid impasse, drawing on the talking points provided in Ref C, and urged the delegation to be strong in expressing these points in its meeting with the GSE. The EC Ambassador, also present at the meeting, echoed our concerns and Graisse indicated that he and his colleagues both understood and essentially shared our views and objectives.

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BUT GSE REMAINS UNYIELDING  
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¶ 16. In WFP's debriefing for donors following the delegation's meeting with the GSE, Graisse reported that no significant progress had been achieved and that the GSE Ministers held firm to the government line. While the Ministers indicated they were "open to dialogue", the dialogue was conditioned on WFP and donors agreeing to the GSE's basic plan to monetize food aid and use funds for cash-for-work (CFW) activities. The Ministers did not acknowledge that there was a major food crisis looming, instead suggesting that a good harvest and good rains meant that an emergency program such as originally planned with WFP was no longer necessary. Now, they said, was the time for the GSE to shift to a cash-for-work program to break the cycle of dependency. The GSE would only allow for continuation of a very small-scale level of food distributions, targeted to IDPs, and a few small health programs. They would not consider WFP's suggestions for food-for-work (which the GSE termed "not dignified") or school feeding (unless schools themselves paid for it).

¶ 17. The GSE Ministers claimed that to-date no WFP stocks had yet been monetized, and that they were not facing any imminent shelf-life issues. However, the consensus in the room was skeptical of these claims, and since WFP has still not been given permission to inspect their commodities in the GSE warehouses, they cannot verify them. Various reliable partners have reported seeing WFP-donated commodities being sold commercially or being used by commercial establishments (such as a pasta production facility). However, even if the GSE claims are to be believed, in light of the limited distributions the GSE is prepared to allow (to IDPs, HIV patients, etc), WFP does not envision distribution of more than 1200 - 1500 MT per month. At that rate, WFP stocks (approx 60,000 MT) would spoil long before they were expended. But, given that the GSE is, we believe, already using those stocks despite the Minister's statement to the contrary, that may be a moot point. The bottom line is that the GSE will ultimately be forced to account for the bulk of the WFP stocks which will either be lost due to GSE appropriation and sale or to spoilage.

¶ 18. Graisse briefly engaged donors in a discussion of the pros and cons (mostly cons) of a monetization-and-CFW approach to meeting Eritrea's food security needs. He noted, for example, that commodities sold in Asmara or Massawa were unlikely to make their way to markets in remoter areas where needs are greatest, and suggested that

at the very least sales should be targeted geographically. Graisse did not raise these points in his GSE meeting, however.

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NEXT STEPS FOR WFP  
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¶19. Graisse said his next steps were: (1) to report the results of his visit to the WFP Executive Board and seek its decisions on the way forward; and (2) to draft a letter to the GSE Ministers outlining the meeting's results and WFP's response.

¶10. Graisse said that while the Board is highly unlikely to accept the GSE's unilateral decision to monetize the food, he was also not sanguine that the alternative course -- litigation and the issuance of a bill of collection to the GSE - would lead to the GSE actually reimbursing WFP. Graisse did note, however, that the GSE Ministers did appear to understand that they would likely be faced with such a bill of collection if they continued on their current course. Graisse also expressed doubt that the Board would reach a decision at the next meeting on June 12, as the time was too short for all the documentation to be prepared, for consultations with capitals and for consensus to be reached. He said, however, we would call for special working session of the Board later in June to discuss the issue further, and to make the necessary operational decisions on the way forward.

¶11. Graisse indicated that he expects the Board to agree to plans to greatly reduce its staffing in Eritrea. He noted that one sub-office already is in the process of closing. He anticipates they will keep a minimal presence -- one expatriate and a few local staff - to monitor the small level of food distributions that are continuing, and to maintain some response capacity should circumstances change later.

¶12. Donor reps encouraged WFP to prepare an effective media strategy, especially in light of concerns that despite GSE assertions of a good harvests and rains, most donors remained concerned about a possible humanitarian crisis at some point in the near future in Eritrea. Graisse appreciated that this could be important as things unfold but contended that, for the present, he would prefer to try to continue to take a low-key approach. Media strategies could come into play after consultation with the Board.

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NEXT STEPS FOR US  
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¶13. Of the 64,000 MTs or so of WFP stocks being held in GSE warehouses, about 42,300 MTs were provided by the USG. In addition, the GSE is holding a total of about 14,800 MTs that we have provided to Mercy Corps and Catholic Relief Services (CRS) under Title II agreements.

¶14. Mercy Corps and CRS, whose Title II activities were initially planned to extend through FY 07, have been instructed by FFP to terminate these activities early -- by June 30. It is highly unlikely, however, that the GSE will release any further commodities for food distribution between now and then, meaning that 14,800 MTs will either have been sold or remain in GSE hands by June 30. (Note: It is not known whether some of these commodities may have already been sold or otherwise diverted by the GSE).

¶15. While Post would not want to close the door entirely to the very slim chance that the impasse can be resolved, and some mutually-agreeable decision be reached on the disposition of USG-donated commodities, it seems highly unlikely that this will happen. Therefore, Post believes that presenting the GSE with a bill of collection must be the next step, for both the WFP and NGO commodities.

¶16. Mercy Corps and CRS discussed this issue with the Post's USAID/DCHA reps last week. Both NGOs have stated they are not in a good position to present the GSE with a bill of collection, as they have little influence, and in the case of CRS, it may lead to their being forced to leave the country. (Note: Mercy Corps has already been told to leave and is in a hurried process to do so). They have asked therefore that the issue be handled "government-to-government."

¶17. A final consideration is the possibility that a food emergency may still arise later in the year. The GSE puts forth that the food security situation is good following last year's harvest. But GSE prohibitions on travel make it hard for humanitarian agencies to determine what the real food situation is. Nutritional surveys carried out in various locations over the past year do indicate a high level of vulnerability. Therefore, while we cannot make further food donations in the current circumstances, and until the current impasse is satisfactorily resolved, we do need to maintain contingency plans for response should circumstances change, and the need arise.

¶18. Action Requests: Post requests the following:

¶A. With regard to WFP, Post supports the recommendation in Ref C for WFP to issue the GSE a bill of collection for the confiscated/diverted stocks, and urges our Executive Board representatives to communicate this to WFP/Rome. If the Board cannot act on this by the June 12 meeting we endorse Graisse's idea that a special session be called to address it soon after.

¶B. With regard to Mercy Corps and CRS, Post seeks guidance from USAID/FFP and GC as to the most appropriate way forward, including their request to be relieved of their responsibility to issue a bill of collection to the GSE themselves, and make it a government-to-government issue. Specific guidance from GC would be appreciated on the legalities and procedures that would be involved in issuing a bill of collection to the GSE.

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